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Royal Bank of Canada Capital Markets fined \$22,156 for sale of Auction Rate Securities

Wilmington, DE – The Delaware Department of Justice announced today that it has reached an agreement with the Royal Bank of Canada Capital Markets (RBC) following an investigation into its marketing and sale of auction rate securities (ARS). The company paid a fine of \$22,156 to the State of Delaware for misleading investors about the safety of the ARS market. Fines collected from this investment firm will be paid to the Delaware Investor Protection Fund.

In November 2008, following a multi-state investigation into the failure of the ARS market, settlements were reached between state and federal securities regulators and eleven investment firms who offered these products for sale. The firms agreed to repurchase more than \$60 billion of auction rate securities from investors nationwide and were required to notify investors of the repurchase offer. In Delaware alone, RBC sold more than \$4 million in auction rate securities.

“This agreement sends a clear message to investment firms that we will hold them accountable for misleading investors about the sale of these supposedly safe and liquid investment products,” stated James Ropp, Delaware Securities Commissioner. “We encourage Delaware investors to contact us at (302) 577-8424 if they have questions about the repurchase of Auction Rate Securities by this or other investment firms.”

Auction rate securities, also referred to as ARPS, short term paper, 7 day paper, or floaters, are long-term financial instruments with interest rates that are reset through weekly or monthly auctions. When auctions run properly, investors who hold these securities can buy and sell them on a regular basis. However, when there are not enough buyers for every ARS being offered for sale, auctions “fail” and investors are forced to hold their ARS until the next successful auction. Since early 2008, the majority of these auctions have failed and many investors have been unable to sell their frozen ARS holdings.

In response to investor complaints, state-led investigations into possible violations of securities laws in connection with the sale of ARS began in April 2008. Since April 2009, Delaware has reached agreements with 4 firms, which has resulted in \$1,099,760 being paid to the Delaware Investor Resource Fund.

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